

ABSTRACT OF THE INVENTION

A paired basis swap risk and credit mitigation system and collateral minimization system. In swaps used to hedge forward contracts a system authority interposes itself and forms paired basis swaps with each of the paired swap participants and itself together with a Swaption to allow it to maintain a level book in the event of a default by any counterparty. In the event of a default the system authority has the ability to either terminate a swap and pay the non-defaulting counterparty an agreed upon termination payment, terminate the non-defaulting counterparty's swap and exercise the swaption to substitute a correlated swap with appropriate correlated termination payment; or substitute a new counterparty with an identical swap as the paired swap participant. Paired basis swap control through delivery can be enabled to continue the risk and credit mitigation benefits of the system.